

## **The business case for private sector engagement around the 2010 Biodiversity Target**

**A discussion paper prepared by IUCN**

There are several important initiatives within Europe to strengthen the social and environmental performance of business. These include voluntary initiatives as well as regulatory approaches. Today climate change is particularly high on the political and business agenda. Nevertheless, the continuing loss of biodiversity including the degradation of ecosystems remains an area of critical concern which requires greater attention from the business community.

In order to encourage private sector engagement in the EU 2010 target to halt the loss of biodiversity, it is necessary to explain how biodiversity objectives relate to corporate social and environmental objectives and to explain why it makes good business sense to save biodiversity.

### **What is biodiversity and how can companies manage it?**

Biodiversity is an all encompassing term to describe the variety of all life and natural processes on Earth. The UN Convention on Biological Diversity – of which the EU and all of its member states are parties -- defines biodiversity as:

“the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.”

It is common today to consider three broad **components of biodiversity**:

- Ecosystems,
- Species, and
- Genetic resources.

More than simply providing a common definition of biodiversity, the Convention clearly lays out what we should do about it. It states that:

“The objectives of this Convention, to be pursued in accordance with its relevant provisions, are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources...”

These objectives provide a global policy platform for biodiversity management for all business sectors. It is common today to refer to three broad **biodiversity objectives**:

- Conservation of biodiversity,
- Sustainable use of biological resources, and
- Equitable sharing of biodiversity benefits.

Biodiversity can be a dauntingly complex topic. European companies operating in different sectors, in different countries and at different levels along the supply chain will have unique sets of priority biodiversity issues and associated risks and opportunities. A **biodiversity management matrix** can be used to identify these priority issues:

		Components		
		BIODIVERSITY	Ecosystems	Species
Objectives	Conservation			
	Sustainable Use			
	Equitable Sharing			

It is unlikely, however, that a company will have significant biodiversity issues in all nine cells of this table. Nevertheless, a critical step in developing a corporate biodiversity management plan will be to decide on the key biodiversity issues which should be addressed.

By completing such a table, a company may identify a cluster of issues relating to a biodiversity component such as ecosystems or to a biodiversity objective such as equitable sharing. Using this table to develop a corporate biodiversity management plan present accompany with both challenges and opportunities.

### **The challenges of corporate biodiversity management in the EU**

A major challenge within the EU is for a company to figure out what exactly it can and should be doing about biodiversity.. At the global level this includes multilateral environmental agreements on biodiversity, climate change, desertification, migratory species, natural disasters, natural sites of global significance, persistent organic pollutants, wetlands, wild species trade, and so on. At the EU level there is a range of biodiversity commitments, including nature legislation to protect

species and habitats of conservation concern. The EU has recently produced a communication on halting the loss of biodiversity by 2010 which includes a detailed action plan setting out objectives and action to be taken to achieve the 2010 target. The plan recognises the need to engage business.

In addition to biodiversity, of course, companies are also being asked to address a large number of environmental and social issues at the global and European levels. This includes commitments on children, education, health issues, indigenous peoples, intellectual property, labour standards, migrants, poverty reduction, refugees, trade and women, not to mention corporate governance and financial accountability.

To better manage the challenges of biodiversity management in the context of the broader and even more complex portfolio of corporate responsibility, it is useful to recognise that the three biodiversity objectives are closely related to the broader concepts of sustainable development and social responsibility:

<b>Biodiversity</b>	<b>Sustainable Business</b>	<b>Sustainable Finance</b>	<b>Sustainable Development</b>
Conservation	Environmental protection	Environmental value	environmental protection
Sustainable use	Economic Use	Economic value	Economic development
Equitable sharing	Social equity	Social value	Social development

Importantly, the three biodiversity objectives are fully compatible with perspectives on sustainability including sustainable business, sustainable finance and sustainable development. Moreover, biodiversity is not something in addition to corporate social responsibility, but rather it is an issue that companies can and should consider as an integral part of their corporate social responsibility and sustainability programmes. In short, biodiversity like other social and environmental issues can be managed as a critical cross-cutting issue to enhance corporate value.

## The benefits of corporate biodiversity management

The opportunities or benefits of corporate biodiversity management provide the underlying basis of the business case for private sector engagement in the 2010 biodiversity target. As noted, biodiversity issues are part of the wider social and environmental management requirements of companies. Like other environmental issues, the 'drivers' of the business case for biodiversity can be viewed in terms of both risks and opportunities.

For most companies, the first questions to be asked with respect to an environmental issue often relate to risk. By not addressing biodiversity adequately, a company's position in the marketplace – and indeed its profitability and valuation – can be threatened by such **biodiversity risks** as:

- Challenges to its legal license to operate,
- Disruption of its supply chain,
- Damage to the brand image,
- Consumer boycotts and campaigns by environmental NGOs,
- Fines, claims for damages and future environmental liabilities,
- Lower ratings in the financial markets, and
- Poor staff morale and reduced productivity.

Managing biodiversity risk is, of course, a key part of the business case for biodiversity. European companies, however, may also want to adopt a more forward-looking approach and view biodiversity not solely from the perspectives of environmental compliance and financial risk, but also from the perspective of business opportunity. If properly managed, perceived biodiversity risks can be turned into mutually beneficial opportunities for both business and biodiversity.

Furthermore, the various biodiversity-related agreements that have been adopted by the EU and its member countries provide many opportunities for companies to develop corporate biodiversity management plans which will enhance a company's performance and value. This is particularly evident in biodiversity-related sectors such as agriculture, tourism, fisheries and forestry, but also hold true for other sectors including banking, mining, telecommunications and transportation.

Addressing biodiversity – particularly today in the context of the 2010 target – offers new opportunities for companies to improve their financial performance and promote sustainability. From this perspective, the risks highlighted above can also be seen as **biodiversity opportunities**:

- Secure the license to operate,
- Strengthen the supply chain,
- Bolster stakeholder relationships,
- Appeal to ethical consumers,
- Ensure sustainable growth,
- Attract socially responsible investors, and
- Improve employee productivity.

For each business – depending on what it produces, how it produces, for whom it produces and importantly where it produces, the array of biodiversity issues, risks and opportunities will differ. Nevertheless, for most companies, there is a ‘win-win’ business case for biodiversity – benefiting both the business and the natural environment in which it operates.